

SUMMARY OF SEPTEMBER 2006 CHANGES TO THE COMMERCIAL FOREST (CF) STATUTE

On September 26, 2006, Governor Jennifer M. Granholm signed legislation providing qualified private landowners with tax incentive options to manage their land for forestry. The legislation included amendments to the Commercial Forest (CF) statute as well as providing other tax incentive options.

The bills amending the CF statute (Senate Bill 917, enacted as 2006 PA 381, House Bill 5454, enacted as 2006 PA 382, and House Bill 5455, enacted as 2006 PA 383) were signed into law with an effective date of September 27, 2006.

Changes to the statute include:

- Specific Tax increase, effective January 1, 2007
- List Applications: Deadline changed to April 1st and "Contiguous" defined as touching at any point, but public access for hunting and fishing must be available on all CF land
- New formula to calculate Withdrawal Penalty, effective September 27, 2007
- For a period of one year, able to withdraw from CF without penalty, if land is approved for new Qualified Forest Property Tax Exemption
- Sustainable Forest Conservation Easement tax incentive created
- Oil and Gas may be removed from CF land

[Click here to view CF Statute](#)

Specific Tax Increase

Beginning January 1, 2007 through December 31, 2011 CF owners will pay an annual specific tax of \$1.20 per acre. (Note: prior to amendment, specific tax was \$1.10 per acre)

Beginning January 1, 2012 and every 5 years thereafter, the CF owner tax will increase by 5 cents per acre.

The State Treasurer will continue to pay \$1.20 per acre to the County Treasurer annually through December 31, 2011. Beginning January 1, 2012 and every 5 years thereafter, the State Treasurer payment will increase by 5 cents per acre.

List Application: Deadline changed to April 1st and "Contiguous" defined

An application to list land in CF must be submitted on a form prescribed by the DNR and postmarked or delivered to the DNR not later than **April 1**, to be eligible for listing in the following tax year. A nonrefundable fee of \$1 per acre, but not less than \$200 nor more than \$1,000, is required with the submission of an Application. (Note: prior to amendment, deadline was June 1)

The CF statute specifies a minimum 40 contiguous acreage requirement for listing and defines contiguous for purposes of eligibility as "touching at any point." However, public access to all 40 acres for hunting and fishing must be available.

New Formula for Calculating CF Withdrawal Penalty

The withdrawal penalty for CF Withdrawal Applications that are **postmarked September 27, 2007 or later** will be calculated using a new formula, as defined in Section 51108(3)(a-c) of the CF Statute.

Compared to the previous CF withdrawal penalty calculation, the new formula will in most cases, significantly increase the penalty payment due to local townships when land is withdrawn.

Factors in the new formula are:

- 1) Number of Acres withdrawn
- 2) Average Value per acre of comparable property*
- 3) Total millage (non-homestead) levied by all taxing units in the tax collecting unit in which the property is located
- 4) Number of years property has been designated as CF, maximum of 7

*Average Value per acre of comparable property

Section 51108(3)(a) states "...average value per acre for comparable property acquired within the last 10 years under subpart 14 of part 21, as determined by the state tax commission under section 2153."

Subpart 14 of part 21 refers to the value used to assess DNR lands subject to Payment in Lieu of Taxes (PILT). It is the State Equalized Value (SEV) of vacant land as determined by sales of vacant lands within each county of the State. This value approximates the value the assessor would use for the assessment of similar properties on the ad valorem tax roll.

The Department of Treasury is responsible for providing the DNR with a per acre value for each county in the state, each year. The DNR will use this value in the formula to calculate the withdrawal penalty.

EXAMPLE: Iron County, Mastodon Township, 40 Acre parcel, listed in 1989

New Formula

Penalty Calculation Formula beginning September 27, 2007								
\$650.00	X	0.0469208	X	40	X	7	=	\$8,539.59
Average value/acre (SEV) of comparable land in Iron county*		Non-homestead Millage Rate for Mastodon Twp		# of Acres Withdrawn		# of Years Listed (1-7)		Withdrawal Penalty

*value provided by Dept. of Treasury

Old Formula

Penalty Calculation through September 26, 2007								
\$137,515.15	÷	16,093.74	X	40	X	7	=	\$2,392.50
Total Taxes Levied on TCC* Acres in Twp		Total # of TCC* Acres in Twp.		# of Acres Withdrawn		# of Years Listed (1-15)		Withdrawal Penalty

*TCC = Timber Cutover Classification

For a period of one year, able to withdraw from CF without penalty, if land is approved for new Qualified Forest Property Tax Exemption

Senate Bill 912, enacted as 2006 PA378, Senate Bill 913, enacted as 2006 PA379 and Senate Bill 914, enacted as 2006 PA380, effective September 27, 2006 amended the General Property Tax Act to create a "qualified forest property tax exemption".

Information about and an application for the Qualified Forest Property Tax Exemption can be found at: http://www.michigan.gov/dnr/0,1607,7-153-30301_30505-164332--,00.html

This amendment provides that land currently listed in the CF program **that is approved for the Qualified Forest Property Tax Exemption**, can be withdrawn from the CF program without penalty for 1 year after the effective date of the amendment (i.e. September 26, 2007)

In order to take advantage of this 1 year window, a CF landowner **must** submit their Application to Withdraw land from Commercial Forest postmarked **not later than September 26, 2007**. Along with the Withdrawal Application the landowner must include evidence that the land has been approved for the Qualified Forest Property Tax Exemption. If the landowner has not received notification of **approval** by that date, the landowner should include a copy of their **application** for the Qualified Forest Property Tax Exemption along with a letter requesting that the DNR not process the withdrawal application until and unless their Qualified Forest Property Tax Exemption Application is approved.

Landowners must include the **CF Withdrawal Application Fee** when submitting their CF Withdrawal Application. The application fee is \$200 for 200 acres or less; over 200 acres, the fee is \$1.00/acre withdrawn up to a maximum fee of \$1,000.00. If the Qualified Forest Property Tax Exemption Application is **not** approved and the landowner then cancels their withdrawal application (i.e. their land remains in the CF program), the Withdrawal Application Fee will be refunded.

Sustainable Forest Conservation Easement tax incentive created

Section 51201 of the CF Statute provides for a "sustainable forest conservation easement" tax incentive on CF land. The specific tax on CF land with an approved "sustainable forest conservation easement" will be 15 cents less per acre than the CF annual specific tax. Application for a "sustainable forest conservation easement" must be submitted on a form prescribed by the DNR and postmarked or delivered to the DNR not later than April 1, to be eligible for approval in the following tax year. A nonrefundable fee of \$2 per acre, but not less than \$200 nor more than \$1,000, is required with the submission of an application.

Oil and Gas may be removed from CF land

Upon application to and approval by the DNR, deposits of oil and gas may be removed from the commercial forest without affecting the land's status as a commercial forest.